

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 468 - HB 680

February 12, 2013

SUMMARY OF BILL: Requires the Department of Economic and Community Development (ECD) to allocate 50 percent of its annual budget, beginning in FY14-15, to the creation, expansion, preservation, or development of businesses having less than 100 hundred full-time employees. Requires the budget document presented by the Governor to the General Assembly for FY14-15, and each year thereafter, to include recommended appropriations to ECD that are consistent with the 50 percent allocation requirement.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – \$122,900/FY14-15 and Subsequent Years

Other Fiscal Impact – Secondary economic impacts may occur as a result of the proposed re-allocation of funds towards businesses with less than 100 full-time employees. Due to multiple unknown factors, fiscal impacts directly attributable to such secondary economic impacts cannot be quantified with reasonable certainty.

Assumptions:

- The FY13-14 proposed budget for ECD is \$137,716,900. Assuming this budgeted amount remains constant into perpetuity, ECD would be required to allocate approximately \$68,858,450 ($\$137,716,900 \times 50.0\%$) to the creation, expansion, preservation, or development of businesses having less than 100 full-time employees.
- According to ECD, the exact allocated amount under current law to businesses having less than 100 full-time employees is unknown and difficult to compute; however, the current allocation is estimated to be significantly less than the required allocation under this bill of \$68,858,450.
- According to ECD, the majority of requests ECD receives for grants and payments have historically been from businesses with more than 100 full-time employees, businesses that grow beyond 100 full-time employees, or businesses that will be created in Tennessee with more than 100 full-time employees with the assistance of the grant.
- Further, the grant amount that a business will receive is generally dependent on the future job creation and/or the quality of jobs created as a result of the grant.

- As a result, requiring that an increased percentage of ECD's budget is allocated to businesses with less than 100 full-time employees will result in a significant increase in the number of grants awarded and the number of businesses receiving such grants.
- In order to issue and process payments for a significantly higher number of grants, ECD estimates that one additional Business Development Consultant and one additional Accountant 2 position will be required, beginning in FY14-15.
- The recurring increase in state expenditures associated with the Business Development Consultant position is estimated to be \$65,312 (\$42,000 salary + \$12,312 benefits + \$11,000 other), beginning in FY14-15.
- The recurring increase in state expenditures associated with the Accountant 2 position is estimated to be \$57,605 (\$35,300 salary + \$11,305 benefits + \$11,000 other), beginning in FY14-15.
- The total recurring increase in state expenditures as a result of this bill is estimated to be \$122,917 (\$65,312 + \$57,605), beginning in FY14-15.
- Secondary economic impacts may occur as a result of the proposed increase in allocation of funds towards businesses with less than 100 full-time employees and the resulting decrease in the amount of funds allocated to other entities, including businesses with more than 100 full-time employees. Due to multiple unknown factors, fiscal impacts directly attributable to such secondary economic impacts cannot be quantified with reasonable certainty.
- Requiring the Governor's recommended budget, beginning with FY14-15, to include recommended appropriations to ECD that are consistent with the 50 percent allocation requirement will not result in a significant fiscal impact to the state.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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